

**Internal Revenue Service's
Invoice Processing for AT&T
Toll-Free Telephone Service**

April 1999

Reference Number: 093802



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 13, 1999

MEMORANDUM FOR COMMISSIONER ROSSOTTI

FROM: Lawrence W. Rogers /s/Lawrence W. Rogers
Acting Treasury Inspector General for Tax Administration

SUBJECT: Final Audit Report – Internal Revenue Service's Invoice
Processing for AT&T Toll-Free Telephone Service

This report presents the results of our review of the Internal Revenue Service's (IRS) invoice processing for AT&T toll-free telephone service. We found that no effective procedures exist to affirm the accuracy of the vendor's charges, allowing a high potential for overpayment. There were also indications that the IRS is not receiving optimum discounts from the vendor.

We recommended that IRS management establish responsibility for coordinating an effort to validate the AT&T charges for toll-free service. We also recommended consideration be given to employing an outside firm, specializing in verification of telephone charges, to analyze the AT&T charges for accuracy and to ensure that all applicable discounts were included in the vendor's billing.

The Assistant Commissioner for National Operations agreed with our recommendations and has contracted with outside sources to begin the process of validating toll-free billings. IRS management's response to the findings has been incorporated into the report where appropriate. In addition, the complete text of their response is presented as an appendix to the report.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please call me at (202) 622-6500, or your staff may contact Maurice S. Moody, Acting Assistant Inspector General for Audit at (202) 622-8500, if you have any questions.

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Executive Summary

The Internal Revenue Service (IRS) has four main customer service toll-free telephone numbers that are offered to taxpayers. In Fiscal Year (FY) 1997, AT&T charged \$30.3 million for 120.9 million calls, totaling 611.9 million minutes, for these toll-free Customer Service lines.

The Treasury Inspector General for Tax Administration Office of Audit examined the IRS' processing of AT&T invoices for toll-free telephone service. This audit was performed as a follow-up to an Office of Audit review of the IRS' oversight of its contract for toll-free service.

Results

We determined that no effective procedures exist to affirm that the vendor's charges accurately reflect the amount of services received, or that the charges for those services are accurate, allowing a high potential for overpayment. There were also indications that the IRS is not receiving optimum discounts from AT&T.

Specifically, we found the following weaknesses in the billing process:

The IRS Has No Effective Procedures to Ensure that the Vendor's Charges Accurately Reflect the Amount of Services Received

The review process for toll-free telephone service invoices does not include the verification of usage data, primarily because data available internally is inadequate or not in a usable format to allow an adequate verification of the charges. Because of the ineffectiveness of the review process, the IRS has not questioned erroneous charges and has not tracked credits for disputed items. In one instance, the IRS' process did not identify an erroneous extraordinary installation charge of \$3.7 million. The IRS is also paying three times more than it should for a revised monthly report. Additionally, each month credits for thousands of dollars of inaccurate charges for services are not effectively tracked because the General Service Administration's (GSA') notification is sent to an individual in an IRS Service Center who has no idea why the document is sent there.

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AT&T Has Not Changed Its Billing Practices, Possibly Causing the IRS to Forego Significant Discounts

During the 1997 filing season, IRS management concluded that AT&T's billing practices did not provide the IRS with optimum discounts. AT&T continues to bill for separate numbers within one IRS call location. The IRS estimates that if the billing were based on total usage within one call site, as was the practice with the previous toll-free carrier, millions of dollars in discounts might be realized yearly. The IRS has not followed up sufficiently to affect a change in this billing practice. AT&T has not acted to address this issue and it remained unresolved as of the date of this report.

Summary of Recommendations

We believe that the following steps need to be taken to initiate an effective processing of AT&T charges to ensure that AT&T's billing procedures accurately reflect the IRS' usage of toll-free service.

- The IRS needs to establish responsibility for coordinating an effort to validate AT&T charges for toll-free service, which includes any credits due the IRS. Individuals should be given the responsibility to become familiar with AT&T's billing practices to ensure that all available discounts and best market rates are included in the monthly billings. Should coordination with the GSA or Treasury's Departmental Offices become necessary to accomplish this, liaison responsibility needs to be assigned.
- Consideration should be given to employing an outside consulting firm, which specializes in verification of telephone charges, to analyze the AT&T charges and determine the accuracy of the IRS' payments to the vendor. Specifically, this firm could validate current tariff rates, allowable discounts, and rate schedules. Also included could be an examination of the IRS' internal call usage data, which could possibly result in recommendations on making it more comparable to AT&T's data. This would allow for the eventual data verification process to be accomplished within the IRS.
- The IRS needs to effectively follow up with AT&T to ensure that the vendor's billing practices include all proper discounts due the IRS. This issue also needs to be specifically addressed in any future contract so that subsequent contract modifications would not be necessary.

IRS management has already started to address some of the issues surfaced in our review. The Telecommunications and Operations Division has begun taking initiatives to contract with outside vendors to strengthen the billing verification of invoices.

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Management's Response

IRS management determined that outside assistance would be needed to establish an effective billing verification effort. The Illinois Institute of Technology Research Institute (IITRI) has been selected to develop a financial management system that will include validation of voice and data telecommunication charges. IITRI will assess the extent of coordination necessary with the GSA and Treasury and will establish appropriate responsibility for any liaison efforts.

Additionally, management has awarded a contract to Unisys Corporation to perform a billing audit of the entire contract. Based on contract pricing and tariff rates, the review will verify telephone charges and attempt to determine whether the IRS has paid any erroneous charges for its toll-free service. Any such charges can be recovered, retroactively, from the inception of the contract. The contractor will produce weekly status reports and its effort will continue through December 1999. The Unisys review will also address any discounts due the IRS in accordance with the terms and conditions of the AT&T contract.

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Objective and Scope

We initiated this audit to explore potential issues noted in our previous review titled, *IRS Oversight of the AT&T Contract For Toll-Free Telephone Service (Reference Number 085301)*. During that review, there were some indications that the Internal Revenue Service (IRS) may not be performing adequate verification or reconciliation of toll-free charges and may not be receiving optimum discounts from AT&T. Our audit work was performed between April and November 1998 in accordance with generally accepted government auditing standards.

Our primary objective was to determine whether the IRS' payments for toll-free service are commensurate with its usage.

The overall objectives of the audit were to evaluate the IRS' invoice review process to ensure that the IRS is not being overcharged and pays only for toll-free telephone service actually used, and to determine if AT&T's billing procedures include appropriate discounts.

To accomplish these objectives, we interviewed both Customer Service personnel, as users of the AT&T data, and Information Systems personnel responsible for invoice processing in the IRS' National Office. Additionally, we held discussions with General Services Administration (GSA) and Treasury Departmental Offices' personnel to determine their respective roles in the invoice process. We also met with and received reports from the Illinois Institute of Technology Research Institute (IITRI)/Tax Systems Modernization Institute (TSMI). This group has participated in an IRS effort to improve the quality of telecommunications budgeting and management processes.

We obtained and examined available documentation to determine the extent the GSA Monthly Statement of Account, detailing the IRS' portion of the AT&T invoice, was reviewed for propriety of charges and resolution of disputes.

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Appendix I provides a detailed description of our audit tests. Appendix II lists the major contributors to this report.

Background

The IRS needs to closely analyze the billing process and the accuracy of the charges.

During the 1997 filing season, the dissatisfaction with the toll-free telephone service was well documented, and caused both Information Systems (IS) and Customer Service (CS) to make considerable efforts to avoid a recurrence of the service problems. With this history of service problems affecting the toll-free program, the IRS needs to be vigilant in its review and analysis of the billing process to ensure that charges accurately reflect the IRS' usage of the toll-free service.

The Telecommunications and Operations Division, reporting to the Deputy Chief Information Officer Operations, is mainly responsible for receipt and processing of the monthly billing for the Federal Telecommunications System (FTS) 2000 toll-free service. The funds for these monthly services are transferred from an IRS account by the On Line Payment and Collection (OPAC) system. The IRS is billed for toll-free services monthly, although the billing documentation lags behind the delivery of the services by two to three months.

Results

The IRS has no assurance that payments for toll-free service accurately reflect usage or that appropriate discounts are received.

Although the IRS does have an informal process to reconcile services received and certify that charges are accurate, no formal reconciliation takes place that compares the invoices received to any record of actual usage of toll-free services. Additionally, the IRS may not be receiving appropriate discounts. The IRS paid over \$30 million to AT&T for the four main customer service toll-free telephone numbers in FY 1997, with no assurance of the overall accuracy of those charges.

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This report describes the processes that take place, the reasons that they are not effective, and examples of what can occur because of this ineffectiveness. It also discusses the continuing question of discounts.

The IRS Has No Effective Procedure to Ensure That the Vendor's Charges Accurately Reflect the Amount of Services Received

The Telecommunications Operations Office (TOO) performs several data summaries on the various types of services shown in the Monthly Statement of Account. It then distributes the data internally, ostensibly for review. There is no formal mechanism for communicating any exceptions that may be noted. Copies are distributed to at least 13 individuals in the Information Systems and Customer Service functions.

The Monthly Statement of Account is distributed, but no meaningful analysis of charges takes place.

We contacted the five managers on the distribution list and reviewed their procedures. We confirmed that there is no verification or analysis of charges or services performed for propriety or accuracy, using the Monthly Statement of Account or the detailed backup that accompanies the statement.

There is no reliable data available to allow an accurate verification of toll-free usage charges.

The major reason for this lack of validation of toll-free billings is that there are currently no internal data available that are sufficiently accurate, or in a usable format, to allow an adequate verification of the charges.

We attempted to reconcile call usage data provided by AT&T to data provided by IRS' call sites. The IRS' system provides toll-free customer service call volume data from each call site. Data from the Philadelphia Service Center during the 1997-filing season was used for this test. There were significant discrepancies between the data volumes shown on the IRS' system and the usage data generated by AT&T. The IRS' records of call volumes exceeded AT&T's numbers by 60,000 to 80,000 calls in some months. This represented as much as 25 percent of the total call volume recorded by AT&T

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A study by the TSMI discusses reconciliation processes and activities; our review showed that these activities were either not performed or were ineffective.

An erroneous \$3.7 million charge was not noted by the IRS; therefore, there was no tracking to ensure that the subsequent credits were received.

for a month. While the exact reasons for these inconsistencies were never satisfactorily found, the disparity of the IRS' internal toll-free call data and AT&T usage data was seriously questioned by Customer Service and our review.

A TSMI report states that the Certification/Processing forms, which indicate the funds that have been transferred from an IRS account by the OPAC system, are verified monthly. The Telecommunications Budget Office procedure is simply an activity in which an individual "signs-off," without any verification whatsoever, that the services have been provided and that the charges are accurate.

Because the various reconciliation processes are ineffective, the IRS cannot ensure that its overall toll-free usage charges are accurate. It also cannot ensure that specific billing details, such as other charges, usage data reports, and disputed items, are properly verified, as detailed below.

Other Charges

The January 1998 statement of account contained an erroneous \$3.7 million billing for the category of "Service Installation Charge." Since there was no effective review of these bills, the IRS did not note this erroneous charge and the \$3.7 million was posted to the accounting records. During a review of the IRS' telecommunications costs, the TSMI brought this charge to the attention of the IRS' Chief Financial Officer. Only then were inquiries made as to what comprised this charge.

IRS personnel asked the GSA what this charge might be, since no internal records existed to verify the accuracy of the bill. When we met with the GSA in July 1998, we found that the GSA had disputed the charge with AT&T in February 1998 and determined it to be erroneous. Further, the IRS received credit for the \$3.7 million over two months, April and May 1998. In addition, the IRS was credited with the portion of GSA'

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eight percent management fee applicable to this erroneous charge. Because no IRS review identified the charge, there was no tracking of the credits received.

Usage Data Reports

More effective oversight is needed for the cost of data reports received from AT&T for scheduling and staffing requirements.

Customer Service wanted to refine its scheduling and staffing information to provide hourly and daily usage reports for the various field call sites. Customer Service determined that AT&T supplied such a report to another agency, and that they could revise the IRS' reports for only a couple of hundred dollars more than the \$9,000 per month AT&T had been charging. We determined that the most current usage reports are actually costing the IRS \$28,000 a month. Customer Service is currently attempting to obtain the contract modification that would have covered these changes. This is another indication of the need for more effective oversight of the AT&T billing process.

Disputed Items

GSA's notification to the IRS of disputed charges needs to be revised.

There is no effective procedure to ensure that credits for disputed items are received. The GSA identifies erroneous charges relating to certain contractual provisions, such as tariff rates, equipment charges, and system feature charges, with which the GSA would be familiar. The GSA notifies the IRS by sending a document to an individual in Information Systems at the Memphis Service Center. This individual did not know why the document was sent there and, accordingly, did not establish any kind of record to track the eventual receipt of the credit. Because the statement of account is sent to Information Systems in New Carrollton, MD, these documents are never matched; accordingly, no effective audit trail exists.

For the five months ending June 1998, the GSA identified \$41,597 of inaccurate charges and notified AT&T. The IRS may have received these credits, but we were unable to trace them because individual credits are not specifically identified on invoices. No one within the IRS was charged with the responsibility of

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ensuring the receipt of credits. Had the IRS not been credited with the erroneous charges, no one would have known to follow up with the vendor.

AT&T Has Not Changed Its Billing Practices, Possibly Causing the IRS to Forego Significant Discounts

The IRS does not receive optimum discounts from AT&T.

During the 1997 filing season, IRS management concluded that AT&T's billing practices did not provide the IRS with optimum discounts, as was done by the prior vendor. AT&T continues to bill by individual 800 numbers rather than aggregating the usage at a location. The IRS estimates that if the billing were based on total usage within one call site, as was the practice with the previous toll-free carrier, millions of dollars in discounts might be realized yearly. While the contract is silent on this issue, Information Systems personnel attempted to have AT&T revise its billing practices to provide maximum service discounts. AT&T has not acted to address this issue, and it still is unresolved as of the date of this report.

The IRS is a large user of AT&T's toll-free service and the largest single Treasury user in the FTS2000 contract. Because of this, the TSMI believes that all publicly available tariffs should be tracked. In other words, the IRS should be receiving the best market rates available and all applicable discounts that would be available to AT&T's best customers. Under the present procedures, the IRS does not know whether they are receiving these rates or discounts. Responsibility needs to be fixed by IRS management to make these determinations.

Recommendations

We believe that the following steps need to be taken to initiate an effective processing of AT&T charges to ensure that AT&T's billing procedures accurately reflect the IRS' usage of toll-free service.

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1. The IRS needs to establish responsibility for coordinating an effort to validate the AT&T charges for toll-free service, which includes any credits due the IRS. The assigned employees should be given the responsibility to become familiar with AT&T's billing practices to ensure that all available discounts and best market rates are included in the monthly billings. Should coordination with the GSA or Treasury's Departmental Offices become necessary, a liaison function should be assigned.

Management's Response: IRS management determined that outside assistance would be needed to establish an effective billing verification effort. The Illinois Institute of Technology Research Institute (IITRI) has been selected to develop a financial management system that will include validation of voice and data telecommunication charges. IITRI will assess the extent of coordination necessary with the GSA and Treasury and will establish appropriate responsibility for any liaison effort.

2. Consideration should be given to employing an outside consulting firm specializing in verification of telephone charges to analyze the AT&T charges and determine the accuracy of the IRS' payments to the vendor. Specifically, this firm could validate current tariff rates, allowable discounts, and rate schedules. Also included could be an examination of the IRS' internal call usage data, the results of which could be recommendations on making it more comparable to AT&T's data. This would allow for the eventual data verification process to be accomplished within the IRS.

Management's Response: IRS management has awarded a contract to Unisys Corporation to perform a billing audit of the entire contract. Based on contract pricing and tariff rates, the review will verify telephone charges and attempt to determine whether the IRS has paid any erroneous charges for its toll-free service. Any such charges can be recovered from the inception of the contract. With

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weekly status reports generated, this effort will continue through December 1999.

3. The IRS needs to effectively follow up with AT&T to ensure that the vendor's billing practices include all proper discounts due the IRS. This issue also needs to be specifically addressed in any future contract so that subsequent contract modifications would not be necessary.

Management's Response: The tasks to be performed by Unisys will include verification of the proper application of discounts provided in the FTS2000 contract. If it is found that these discounts were not received, the IRS has the authority to recover them from the inception of the contract. In addition, the FTS2001 contract will be reviewed to insure that proper discounts due the IRS are included in the contract.

Conclusion

The IRS pays a substantial amount for its toll-free telephone service. Without an effective review and reconciliation process, it cannot be assured that payments represent the correct amount for the services received and that associated charges are appropriate.

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Appendix I

Detailed Objectives, Scope and Methodology

The overall objectives of the audit were to evaluate the Internal Revenue Service's (IRS') invoice review process to ensure that the IRS is not being overcharged and pays only for toll-free telephone service actually used, and to determine whether AT&T's billing procedures accurately reflect Service usage and include appropriate discounts.

The specific audit objectives and related audit tests follow:

- (1) To determine whether the IRS' procedures for receipt, review, approval, and payment of invoices were sufficient to ensure the accurate payment for toll-free services, we:
 - A. Identified the functional area responsible for receiving AT&T invoices and determined what happened to the invoices after they were received.
 - B. Determined and evaluated the process by which invoices were reviewed for propriety and accuracy. Obtained any documentary evidence of reviews and analyzed any exceptions that may have been found. Reviewed available documents and/or subsequent invoices to determine whether any credits were issued. Also, we determined whether call data generated at the call sites was used for any verification of invoice data.
 - C. Determined whether responsible individuals had been sufficiently trained to accomplish these duties. Established whether specific AT&T contractual requirements had been included in that training.
 - D. Determined the extent of knowledge the personnel reviewing the invoices had of AT&T's billing method and applicable discounts.
 - E. Established how rates are verified and receipt of applicable discounts confirmed.
 - F. Determined how the process of transferring funds to GSA for payment to AT&T was accomplished. Established how the On Line Payment and Collection (OPAC) system procedure was executed and what the transfer was based upon.
- (2) To evaluate whether AT&T's billing procedures accurately reflect the IRS' toll-free usage, we determined what efforts have been made by the IRS to ensure that AT&T's billing practices provide the IRS with optimum discounts, and the response by AT&T.

Major Contributors to This Report

Kerry Kilpatrick, Regional Inspector General for Audit

Michael Murray, Deputy Regional Inspector General for Audit

Richard T. Hayes, Audit Manager

Gerald H. Horn, Senior Auditor

Rosemarie Doerge, Auditor

Cynthia Dozier, Auditor

William Simmons, Auditor

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Appendix III

Report Distribution List

Chief Information Officer IS
Assistant Commissioner for National Operations IS:O
Chief Operations Officer OP
Assistant Commissioner (Customer Service) OP:C
Chief Network Services Branch, Information Systems IS:O:O:N
Chief Network Management Section, Customer Service OP:C:T
Audit Liaison - (Customer Service) OP:C:T:L
Audit Liaison - (Chief Information Officer) IS:S:O
Office of Management Controls M:CFO:A:M
National Director for Legislative Affairs CL:LA

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Appendix IV



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

JAN 26 1999



MEMORANDUM FOR CHIEF INSPECTOR

FROM: *for* David W. Junkins *Mike Pake*
Director, Office of Information Resources Management IS:IR

SUBJECT: Management Response for Internal Audit Draft Report - IRS'
Invoice Processing For AT&T Toll-Free Telephone Service
(MIS # 980057), dated November 24, 1998

The Assistant Commissioner for National Operations has reviewed the subject draft Internal Audit report. The management response is attached.

If you have any questions, please call me on (202) 283-4060 or have a member of your staff call Donna Downing on (202) 283-4159.

Attachment

cc: Assistant Chief Inspector (Internal Audit)
Deputy Director, Office of Audit Projects

CHIEF INSPECTOR
JAN 29 1999
TIGTA

Internal Revenue Service's Invoice Processing for AT&T Toll-Free Telephone Service

MANAGEMENT RESPONSE TO INTERNAL AUDIT DRAFT REPORT-- IRS' INVOICE PROCESSING FOR AT&T TOLL-FREE TELEPHONE SERVICE

RECOMMENDATION 1

The Service needs to establish responsibility for coordinating a validation effort of the AT&T charges for toll-free service that will include any credits due the Service. Individuals should be given the responsibility to become familiar with AT&T's billing practices to ensure that all available discounts, and best market rates, are included in the monthly billings. Should coordination with GSA or Treasury become necessary to accomplish this, liaison responsibility needs to be assigned.

ASSESSMENT OF CAUSE

The review process for toll-free telephone service invoices does not include the verification of usage data, primarily because internal data available is not sufficiently accurate or in a usable format to allow an adequate verification of the charges.

CORRECTIVE ACTION

The Network Services Branch recognized that there was a discrepancy between the FTS2000 call detail records and those of the local Private Branch Exchanges (PBXs) and the Automatic Call Distributors (ACDs) maintained by Customer Service. Efforts were underway to secure the Customer Service records to perform a level of analysis that would provide a standard deviation for estimating/forecasting purposes.

It was determined that the Branch would acquire contractor assistance in this labor intensive effort. The Illinois Institute of Technology Research Institute (IITRI) was selected due to their familiarity with the IRS' telecommunications' financial environment and the FTS2000 invoice data as a result of their previous association with the Chief Financial Officer organization. Under the direction of the Resources Support Section, IITRI is working a major task to develop a financial management system that will incorporate all voice and data telecommunications allocations of the Branch. IITRI will also determine if coordination with GSA or Treasury is necessary and will establish liaison responsibility between GSA or Treasury to the Resources Support Section.

A subtask is to have IITRI assess the way Customer Service and AT&T measure incoming calls to the Customer Service Call Sites and to find a way to calibrate the varying methodologies.

IITRI will interview both the IRS organizations impacted and AT&T to determine their measurement of inbound calls. After factual data is gathered, IITRI will analyze the types

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of measurements to determine similarities and differences and then make recommendations based on their technical expertise.

IITRI's preliminary recommendations will be completed by June 30, 1999. Final recommendations are expected to be completed no later than September 30, 1999.

IMPLEMENTATION DATE

Completed: _____

Proposed: January 1, 2000

Under the direction of the Resources Support Section, IITRI is working a major task to develop a financial management system that will incorporate all voice and data telecommunications allocations of the Branch. IITRI will also determine if coordination with GSA or Treasury is necessary and will establish liaison responsibility between GSA or Treasury to the Resources Support Section.

RESPONSIBLE OFFICIALS

Chief Information Officer
Assistant Commissioner National Operations
Director Telecommunications and Operations
Network Services Branch

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RECOMMENDATION 2

Consideration should be given to employing an outside consulting firm specializing in verification of telephone charges, on a contingency basis, to analyze the AT&T charges and determine the accuracy of the Service's payments to the vendor. Specifically, this firm could validate current tariff rates, allowable discounts, and rate schedules. Also included could be an examination of IRS' internal call usage data, the results of which could be recommendations on making it more comparable to AT&T's data. This would allow for the eventual data verification process to be accomplished internally, within the Service.

ASSESSMENT OF CAUSE

During the 1997 filing season, Service management concluded that AT&T's billing practices did not provide IRS with optimum discounts. AT&T continues to bill for separate numbers within one IRS call location.

CORRECTIVE ACTION

Having recognized that the current invoice certification process was not effective, the Network Services Branch awarded a contract to Unisys Corporation to perform a billing audit of the entire FTS2000 invoice beginning in the first quarter of this fiscal year. This task was part of a major task order for FTS2001 Transition Support. Unisys has subcontracted this task to TSR, a company that specializes in verification of telephone charges and recovering erroneous charges billed to organizations. Using the FTS2000 vendor's billing tools, and their own resources, TSR will determine, based on FTS2000 contract pricing and tariff rates, whether IRS has overpaid vendors for the services that are rendered, including the toll-free operation. Unisys is verifying all of the products and services we currently receive from AT&T and Sprint and will pass this data to TSR for invoice validation purposes.

This specific task will be ongoing throughout the current fiscal year. Weekly status reports and findings are required to be provided by Unisys. The contract expires December 31, 1999.

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IMPLEMENTATION DATE

Completed: _____

Proposed: January 1, 2000

TSR will determine, based on FTS2000 contract pricing and tariff rates, whether IRS has overpaid vendors for the services that are rendered, including the toll-free operation. Unisys is verifying all of the products and services we currently receive from AT&T and Sprint and will pass this data to TSR for invoice validation purposes.

RESPONSIBLE OFFICIALS

Chief Information Officer
Assistant Commissioner National Operations
Director Telecommunications and Operations
Network Services Branch

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RECOMMENDATION 3

The Service needs to effectively follow-up with AT&T to ensure that the vendor's billing practices include all proper discounts due the Service. This issue also needs to be specifically addressed in the FTS2001 contract so subsequent contract modifications would not be necessary.

ASSESSMENT OF CAUSE

During the 1997 filing season, Service management concluded that AT&T's billing practices did not provide IRS with optimum discounts. AT&T continues to bill for separate numbers within one IRS call location.

CORRECTIVE ACTION

The Network Services Branch awarded a contract to Unisys Corporation to perform a billing audit of the entire FTS2000 invoice beginning in the first quarter of this fiscal year. This task was part of a major task order for FTS2001 Transition Support. Unisys has subcontracted this task to TSR, a company that specializes in verification of telephone charges and recovering erroneous charges billed to organizations. TSR will develop and implement procedures for monthly invoice verification for FTS services received. If it is found through the audit that IRS was overcharged for excessive call volumes, that volume discounts were not properly applied, or charged for any excessive billing items, IRS has the authority to recover the costs from AT&T from the date of transition and from U.S. Sprint back to the beginning date of the FTS2000 contract. In addition, the FTS2001 contract will be reviewed for addressing proper discounts due the Service in the contract.

This specific task will be ongoing throughout the current fiscal year. Weekly status reports and findings are required to be provided by Unisys. The contract expires December 31, 1999.

IMPLEMENTATION DATE

Completed: _____

Proposed: January 1, 2000

If it is found through the audit that IRS was overcharged for excessive call volumes, that volume discounts were not properly applied, or charged for any excessive billing items, IRS has the authority to recover the costs from AT&T from the date of transition and from U.S. Sprint back to the beginning date of the FTS2000 contract. In addition, the FTS2001 contract will be reviewed for addressing proper discounts due the Service in the contract.

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RESPONSIBLE ORGANIZATION

Chief Information Officer
Assistant Commissioner National Operations
Director Telecommunications and Operations
Network Services Branch